



Broadband Initiatives Program

Rural Utilities Service
U.S. Department of Agriculture
1400 Independence Avenue, SW
Stop 1599
Washington, D.C. 20250

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As a telecommunications professional, I have been looking forward with anticipation to the broadband stimulus program. I know that you are aware of much of the hard data that directly relates robust internet access to a healthy economy. Additionally, enhanced healthcare and educational opportunities through fast and easy access to broadband technologies clearly translate into a higher quality of life. That is what I want for Eastern Oregon and our country as a whole.

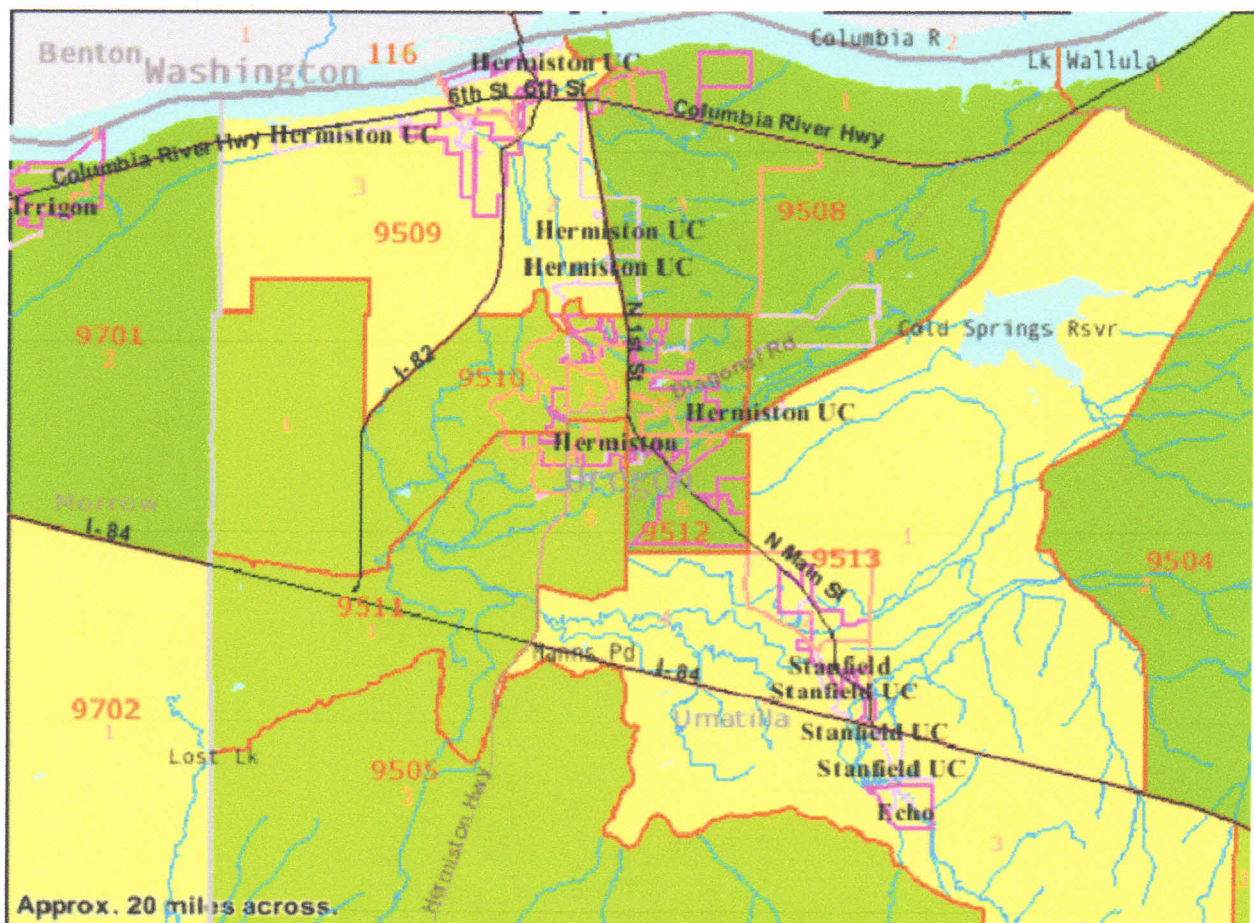
Unfortunately, my great anticipation turned to equally great disappointment as I dug into the rules that were released on Monday, July 6, 2009, in the form of a Notice of Funds Availability (NOFA). I realized that as so often is the case, the "devil is in the details". In the case of the original NOFA, there are a number of points that I believe precluded many worthy projects from even being submitted during the "first round".

First, any company that has a project that is "rural" must apply with RUS. This put companies like Eastern Oregon Telecom (EOT) at a disadvantage because the RUS program is comprised of low interest loans or a loan/grant combo as opposed to the 80%/20% grant/match available through BTOP. Since EOT has never received RUS funding before, other companies would receive priority consideration ahead of us. It is true that the NOFA states that programs not funded through RUS may be considered by BTOP; however, there is no guarantee and since those programs would get to the BTOP review team later than pure BTOP submissions, it is difficult to believe that they would be able to receive equal consideration. ***I recommend that any rural project should have the opportunity to compete for 80/20 grants.***

I was also disappointed in the requirement to have complete design plans that are stamped by an engineer. Given the short suspense, this requirement made it very difficult for a company with our resources to have a hope of submitting. It took the NTIA and RUS almost five months to define the original rules and then to expect a complete business plan with stamped design work to be submitted as part of an application in just over 30 days was not reasonable especially if a company was planning to build fiber to the premise. ***I recommend that stamped plans not be a requirement until 120 days after approval of the project.***

The fact that projects are required to be census block centric also provides challenges that I am certain were not foreseen while writing the NOFA. Below is a map showing the census blocks for the Hermiston area. If we use block 9513 as an example, you can see that there are only two small population centers; Stanfield and Echo. The remainder of the census block is made up of large farms and the Cold Springs Reservoir. The requirement to serve an entire census block makes it very difficult to develop a sustainable business plan for a truly robust broadband deployment.

And yet, both of those communities have K-12 educational systems and other targeted anchor tenants. This area, within just a few miles of two Interstate highways; in the heart of some of the best agricultural land in Oregon, desperately needs better connectivity. Those two small towns could be healthier, better educated, and enjoying stronger economies if only they had real access to the internet. I don't know how that is possible under the rules that were presented. The housing density or opportunity per mile in the rest of the census block is so sparse as to make any business case, even with stimulus money, difficult at best and in reality, probably impossible. ***I recommend that projects based on population centers, not census blocks, be considered in the next round.***



The definition of “underserved” in the original NOFA excluded many worth projects in that it had the effect precluding any residential infrastructure programs in an area where a minimal level of broadband, even first generation DSL, is generally available. In many cases, just because DSL is advertised, doesn't mean that is available to a significant portion of the population. ***Recommendation: Amend the definition of “underserved” to clarify that only one, rather than two, of the definitional options be met.***



I also have difficulty understanding the government retaining interest in projects for the "life of the facilities". While I understand that since taxpayer dollars are being invested in a project, this is similar to USF investments in telephony infrastructure. That program has worked marvelously without the government retaining ownership of all of the rural phone companies across America. My board of directors would not be comfortable spending the time and resources needed to build broadband infrastructure and then expend the resources to manage it if we could not ever effectively leverage it with another lender for future expansion of the business. It seems intuitively counter-productive in the long term to the goal of expanding access by effectively dead-ending a project with government ownership. ***I recommend removing this language and perhaps implementing similar controls as are now used under the USF.***

Finally, ***there should be some mechanism to allow "coalition" projects to be considered.*** Prior to the first NOFA, there was a group of Oregon based telecommunications companies that had proposed to leverage each other's core competencies to provide a state-wide solution for bringing broadband to rural Oregon. The solution we presented to the Governor's office would have provided broadband to more than 180 un-served and underserved communities including 450,000 additional Oregonians. This would have included fiber to the anchor tenants in each of those communities including 358 K-12 and higher education facilities, 248 medical facilities and providers, and 82 libraries. Since we would have partnered together, the cost reductions in accomplishing this would have been significant allowing completion of all of the above for under \$130 million. Unfortunately, the NOFA did not allow for this type of project.

I appreciate your support and the good work that you do on behalf of our country and am certainly willing to assist in any way needed to make this next round of funding more effective and efficient.

Respectfully,

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